

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 NEA-14 ISO-00 IO-14 H-03 L-03 PRS-01

PA-04 USIA-15 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 AEC-11 DODE-00 FPC-01 INT-08 PM-07 SAM-01

SCI-06 /214 W

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P 130716Z JUN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 4278

INFO AMEMBASSY ISLAMABAD PRIORITY

AMCONSUL KARACHI

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USADB

FOR NAC AGENCIES

E.O. 11652: DECLAS 9/30/74

TAGS: EAID, EFIN, PAK

SUBJ: PROPOSED ADB TECHNICAL ASSISTANCE TO PAKISTAN FOR KESC
GENERATION AND TRANSMISSION FEASIBILITY STUDY PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES \$200,000 EQUIVALENT
TECHNICAL ASSISTANCE (TA) GRANT TO FINANCE FOREX COST
OF PREPARATION OF GENERATION AND TRANSMISSION FEASI-
BILITY STUDY FOR KARACHI ELECTRIC SUPPLY CORPORATION,
LTD. (DESC). USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R55-74 WITH ATTACHMENTS DESCRIBING PROPOSED
TA GRANT POUCHED ADDRESSEES JUNE 7. BOARD CONSIDERATION
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SCHEDULED JUNE 27.

2. ADB MANAGEMENT PROPOSING \$200,000 GRANT TO GOVT OF PAKISTAN. PROCEEDS WILL FINANCE FOREX COST OF GENERATION AND TRANSMISSION FEASIBILITY STUDY FOR KESC. STUDY RELATES TO PREPARATION OF PROJECT FOR WHICH FINANCING DECISION MUST BE MADE IN 1975 SO THAT KESC CAN PROCEED TO IMPLEMENT ITS NEXT MAJOR ADDITION OF POWER GENERATION AND ASSOCIATED TRANSMISSION FACILITIES. IF LOAN PROJECT IS SUBSEQUENTLY FORMULATED FOR WHICH BANK LOAN IS APPROVED, AMOUNT OF TA IN EXCESS OF \$100,000 WILL BE INCORPORATED IN SUCH LOAN.

3. KARACHI, WHICH IS LARGEST CITY IN PAKISTAN, HAS GROWN PHENOMENALLY SINCE 1947, WITH ABOUT 6 PERCENT PER ANNUM GROWTH RATE. IT IS COUNTRY'S PRINCIPAL PORT AND INDUSTRIAL/COMMERCIAL CENTER. ABOUT 42 PERCENT OF COUNTRY'S LARGE-SCALE MANUFACTURING OUTPUT ORIGINATES IN KARACHI AREA.

4. THERE ARE NO HYDROPOWER SITES IN PAKISTAN'S TWO SOUTHERN PROVINCES SO THAT KESC IS TOTALLY DEPENDENT UPON THERMAL GENERATION, WITH INDIGENOUS NATURAL GAS AS PRIMARY FUEL. KESC ALSO PURCHASES POWER IN BULK FROM 125 MW KARACHI YES CLEAR POWER PLANT (KANUPP) OWNED AND OPERATED BY PAKISTAN ATOMIC ENERGY COMMISSION. AS OF DECEMBER 1973, INSTALLED CAPACITY OF KESC GENERATING FACILITIES, INCLUDING KANUPP, TOTALLED 511 MW. THESE FACILITIES TRANSMIT POWER TO SEVERAL SUBSTATIONS WITHIN KESC SERVICE AREA, AS WELL AS TO HYDERABAD AREA, ALMOST 100 MILES NORTHEAST OF KARACHI. IT IS PLANNED TO PROVIDE POWER TO ADJACENT AREAS IN BALUCHISTAN PROVINCE WHICH FALL WITHIN KESC SUPPLY AREA.

5. KESC'S ENERGY SALES HAVE INCREASED RAPIDLY SINCE 1947 AT RATE OF 17.5 PERCENT PER ANNUM. SALES TO INDUSTRY ACCOUNT FOR ABOUT 53 PERCENT OF TOTAL. MAXIMUM DEMAND IS PROJECTED TO GROW AT RATE OF 16 PERCENT PER ANNUM BETWEEN 1973 AND 1980. THIS FORECAST IS BASED ON EXPECTED FURTHER GROWTH OF INDUSTRIES SUCH AS TEXTILES, CHEMICALS AND LARGE STEEL MILL NOW UNDER CONSTRUCTION AND SCHEDULED TO BE IN PARTIAL OPERATION IN 1979.

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6. BANK-FINANCED 125 MW KORANGI NO. 4 STEAM THERMAL UNIT WITH ASSOCIATED TRANSMISSION AND DISTRIBUTION FACILITIES IS SCHEDULED FOR COMPLETION BY 1976. KESC AND GOVT ARE IN PROCESS OF SEEKING BILATERAL FINANCING FOR GAS TURBINES OF 80-100 MW CAPACITY TO MEET URGENT REQUIREMENTS FOR INTERIM PEAK LOAD DEMANDS FORECAST FOR 1975. PROPOSED TA WILL INCLUDE REVIEW OF KESC'S GAS TURBINE PROGRAMS.

GOVT OF PAKISTAN HAS IN PRINCIPLE DECIDED THAT INDIGENOUS NATURAL GAS SHOULD BE PRIMARY FUEL UTILIZED FOR FUTURE THERMAL PLANTS. COMPLETION OF BANK-FINANCED SUI-KARACHI GAS PIPELINE PROJECT IN 1976 WILL PROVIDE KESC WITH ADEQUATE SUPPLIES OF GAS FOR EXISTING AND NEW THERMAL PLANTS REQUIRED IN EARLY 1980S.

7. PROPOSED BANK-FINANCED TA STUDY WILL BE OF USE WITH RESPECT TO A UNDP-INITIATED ENERGY RESOURCE SURVEY IN PAKISTAN AIMED AT FORMULATING NATIONAL ENERGY POLICY AND EXPECTED TO BE COMPLETED IN 1976. (SURVEY WILL NOT INVOLVE POWER SYSTEM PLANNING STUDIES SUCH AS PROPOSED TA FOR KESC, SO THERE WILL BE NO OVER-LAPPING.) PROPOSED TA WILL DETERMINE TECHNICAL FEASIBILITY AND ECONOMIC VIABILITY OF GENERATION AND ASSOCIATED TRANSMISSION ADDITIONS FOR KESC EXPECTED TO BE REQUIRED BY 1980, AND RECOMMEND SUBSEQUENT LONG-TERM INVESTMENT PROGRAM.

8. TOTAL COST OF PROPOSED TA IS ESTIMATED AT \$300,000 EQUIVALENT. FOREX COMPONENT OF \$200,000 INCLUDES REMUNERATION OF FOREIGN CONSULTANTS, INTERNATIONAL TRAVEL, COMMUNICATIONS AND PROVISIONS FOR SPECIAL COMPUTER STUDIES. LOCAL CURRENCY COST OF \$100,000 COVERS COST OF LOCAL SERVICES (INCLUDING KESC STAFF AND OTHER LOCAL EXPERTS) AND FACILITIES TO BE BORNE BY KESC. FEASIBILITY STUDY EXPECTED TO BE INITIATED IN MID-1974 AND WILL TAKE APPROXIMATELY FIVE MONTHS.

9. BANK CONSIDERS PROPOSED STUDY TO BE URGENTLY NEEDED AND WELL JUSTIFIED. KESC, WHICH IS WELL-MANAGED INSTITUTION WITH SATISFACTORY FINANCIAL PERFORMANCE, IS CURRENTLY UNDERTAKING EXPANSION PROGRAM WITH ASSISTNACE OF \$35.5 MILLION BANK LOANS AND MUST NOW PERPARE AND EXECUTE LIMITED OFFICIAL USE

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GENERATION INSTALLATION PROGRAM TO PROVIDE CAPACITY FOR EXPANDING POWER MARKET. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

10. REQUEST ISLAMABAD'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.

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